



**Connecticut Education
Association**

Governance

Sheila Cohen, President
Jeff Leake, Vice President
Cheryl Prevost, Secretary
Thomas Nicholas, Treasurer
Kathy Flaherty, NEA Director
Pat Jordan NEA Director

Executive Office
Mark Waxenberg
Executive Director

Policy & Professional Practice
Dr. Linette Branham, Director
Capitol Place, Suite 500
21 Oak Street
Hartford, CT 06106-8001
860-525-5641, 800-842-4316
Fax: 860-725-6328
www.cea.org

Affiliated with the
National Education Association

**TESTIMONY OF ROBYN KAPLAN-CHO, RETIREMENT
SPECIALIST
THE CONNECTICUT EDUCATION ASSOCIATION (CEA)
CONCERNING ADJUSTMENTS TO STATE EXPENDITURES
RELATED TO
THE STATE TEACHERS' RETIREMENT BOARD (STRB)**

**BEFORE THE APPROPRIATIONS COMMITTEE
FEBRUARY 24, 2014**

Good evening Senator Bye, Representative Walker, and members of the Appropriations Committee. My name is Robyn Kaplan-Cho and I am the Retirement Specialist for the CEA, representing over 41,000 active teachers and over 4,000 retired teachers who are members of the State Teachers' Retirement System.

The current budget provides a temporary exemption from the statutory requirement that the State contribute 33% of the cost of the STRB health subsidy and Medicare supplement plan, and instead contributes 25% of the cost. CEA respectfully requests that the state's appropriation to the retired teachers' health insurance fund be restored to its full statutorily required amount of 33% for the fiscal year ending June 30, 2015 in order to ensure the financial stability of this fund.

As you may know, the State's actual contribution to this fund has been consistently below the required amount. In 2010 and 2011, the State contributed \$0 to the retiree health fund. In 2012, it contributed its required amount. But, as I stated, the current budget reduces it to 25% rather than 33%. What is the result of this reduced funding? The retiree health fund now faces insolvency by the year 2017, according to Teachers' Retirement Board projections.

The history of this retiree health fund evinces intent to set up a fund that would be sustained primarily by contributions from active and retired teachers but would also have a committed appropriation from the State. In fact, active teachers have contributed the lion's share to this fund, followed by retired teachers. The attached Fact Sheet illustrates that the contributions from active and retired teachers account for over 75% of the total contributions to the retiree health fund. State dollars account for approximately 25% of the total dollars in the fund. In fact, the State has never paid an equal share compared to active and retired teachers in

terms of actual dollars. Nonetheless, the retiree health fund has been very stable and able to sustain a very well-managed Medicare supplement plan and a minimal subsidy for under-65 retirees on their former board of education plans. In short, the system has been working well.

Unfortunately, due to consistently reduced state appropriations over the past several years, an otherwise stable, well-functioning fund is headed down a path toward insolvency as soon as 2017, assuming that the State continues paying only the 25% contribution. Why would we want to do this to a plan that has operated extremely efficiently and has been satisfactory to its participants?

Please modify the current budget and restore the 33% contribution to the retired teachers' health insurance fund.

Finally, it is important to bring to your attention that in the 2012 session, the legislature passed Public Act 12-1 which allowed the State to count the federal Retiree Drug Subsidy (RDS) reimbursement funds as part of its required appropriation. This offset has further lowered the actual amount that the State has had to contribute to the fund. If the RDS funds were not in effect "taken" by the State, these funds would be helping to further bolster the solvency of the retiree health fund. We ask that you repeal that provision (C.G.S. Section 10-183t(a)) and discontinue the State's offset of federal RDS funds.

Thank you for your time and consideration.

RETIRED TEACHERS' LEGISLATIVE FACT SHEET FEBRUARY, 2014

Prepared by Robyn Kaplan-Cho, CEA Retirement Specialist

BACKGROUND ON RETIRED TEACHERS' HEALTH INSURANCE:

Who Contributes to the Retired Teachers' Health Insurance Fund:

- The Retired Teachers' Health Insurance Fund ("Health Fund") was created in 1991 and is administered by the State Teachers' Retirement Board (STRB).
- Active teachers contribute 1.25% of salary annually into the Health Fund – this represents the largest contribution to the Health Fund. In 2013-14, active teachers' salary contributions of over \$46 million will be deposited into the Health Fund.
- Retired teachers participating in the STRB's Medicare supplement plan also contribute a premium share to the Health Fund. In 2013-14, retirees' contributions will amount to over \$26 million.
- State statute requires the State to contribute 33% of the cost of the STRB's Medicare supplement plan and the under-65 municipal health subsidy paid to retirees participating in their local board of education health insurance plans.
- The STRB has been receiving a federal Retiree Drug Subsidy (RDS) reimbursement based on its non-participation in the Medicare Part D prescription drug program. Since the reimbursement began, these funds had been deposited directly into the Health Fund. However, legislation passed in 2012 now allows the State to count this reimbursement money as part of the State's contribution, thus reducing the overall revenue to the Health Fund.
- Since its inception, active teachers' contributions have been the primary source of income to the Health Fund. Contributions from active teachers, retired teachers and the State over the past several years have been as follows:

Year	Active Teachers' Contributions	Retired Teachers' Contributions	State Contribution	Federal Medicare Part D Reimbursement
2006-2007	38,473,730.56	22,949,731.79	20,749,537.36	0
2007-2008	41,296,730.32	23,192,258.75	20,769,667.02	0
2008-2009	46,219,152.61	24,635,463.30	22,433,384.06	7,061,829.98
2009-2010	44,635,744.87	27,400,912	0	8,049,189.94
2010-2011	45,410,154.03	30,039,157.79	0	5,312,118.90
2011-2012	43,359,743	40,123,523	35,259,003	14,227,081
2012-2013	45,156,508	37,910,647	17,668,157	10,203,832
2013-2014	46,200,000	26,254,800	10,000,000	11,000,000

What Retired Teachers Pay for Health Insurance:

- Retired teachers and spouses under age 65 and over-65 retirees who are not Medicare eligible obtain insurance through their last employing board of education and typically pay the full cost of insurance, minus a \$110 per month subsidy paid from the Health Fund. Monthly costs currently range from around \$500 to over \$900 per person, depending on local plans.
- Because Connecticut teachers do not participate in social security, they have no Medicare eligibility through teaching but have earned the necessary credit through part-time jobs or eligible spouses. Some will never have Medicare eligibility. Teachers hired after 1986 have begun paying the Medicare tax of 1.45% of salary. Moreover, under the Windfall Elimination Provision, teachers who do earn social security credits from other employment will receive a reduction in social security benefits of approximately 40 – 50%. The Government Pension Offset also results in most teachers receiving no spousal benefit from social security.
- Retired teachers and spouses over age 65 who are Medicare-eligible pay the Medicare Part B premium (currently \$104.90/month) plus one-third of the cost of the Medicare supplement plan offered by STRB. The current retiree cost for the base supplemental plan is \$97 per month per person.
- The current budget will result in the Health Fund becoming insolvent in 2017. Active and retired teachers have paid their full required share into the Health Fund each and every year with the understanding and expectation that it will be there for them in retirement.